

COFFEY COUNTY HOUSING AUTHORITY

Burlington, Kansas

Financial Statements
and
Supplemental Information

with Report of Independent Auditor
For the Year Ended December 31, 2011

Coffey County Housing Authority
Special Financial Statements
For the Year Ended December 31, 2011

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INDEPENDENT AUDITOR'S REPORT

Coffey County Housing Authority
Burlington, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Coffey County Housing Authority Burlington, Kansas, as of and for the year ended December 31, 2011. This financial statement is the responsibility of Coffey County Housing Authority's, management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, Coffey County Housing Authority, has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the Housing Authority's policy to prepare its financial statement on the basis of accounting discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Coffey County Housing Authority as of December 31, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of Coffey County Housing Authority, as of December 31, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

Respectfully Submitted,

Schlotterbeck and Burns, L.L.C.

June 7, 2012

Coffey County Housing Authority
Burlington, Kansas
Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Year Ended December 31, 2011

Statement 1

Fund	Beginning Unencumbered Cash Balance	Beginning Balance Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Plus: Accounts Payable and Encumbrances	Ending Cash Balance
General Fund	\$ 99,514		208,138	236,317	71,335	6,889	78,224
Special Revenue Funds:							
Grants Fund	7,278	4,050	103,362	96,133	18,557	1,394	19,951
Building Fund	260,749		68,921	203,209	126,461	3,033	129,494
Total	<u>367,541</u>	<u>4,050</u>	<u>380,421</u>	<u>535,659</u>	<u>216,353</u>	<u>11,316</u>	<u>227,669</u>

Composition of Ending Cash Balance:

Demand Deposits	\$ 92,963
Money Market Accounts	97,985
	<u>36,721</u>
Total Composition of Cash	<u>227,669</u>

See accompanying notes to financial statements

Coffey County Housing Authority
 Burlington, Kansas
 Statement of Expenditures - Actual and Budget
For the Year Ended December 31, 2011

Statement 2

Fund	Adopted Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General Fund	\$ 293,200	236,317	56,883
Total	<u>293,200</u>	<u>236,317</u>	<u>56,883</u>

See accompanying notes to financial statements

Coffey County Housing Authority
Burlington, Ks

Statement 3
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Statement of Cash Receipts and Expenditures- Actual and Budget
For the Year Ended December 31, 2010

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>	<u>Current Year Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<u>General Fund</u>				
Cash Receipts:				
Appropriation from Coffey County	\$ 230,000	200,000	200,000	0
Assistance Income	2,796	3,840	45,000	(41,160)
Interest	1,297	1,028	2,000	(972)
Miscellaneous	12,711	3,270	46,200	(42,930)
	<u>246,804</u>	<u>208,138</u>	<u>293,200</u>	<u>(85,062)</u>
Total Cash Receipts				
Expenditures and Transfers:				
Salaries and Payroll Taxes	113,389	116,989	117,400	411
Contracted Services	16,454	27,044	35,000	7,956
Commodities	8,663	9,148	6,800	(2,348)
Capital Outlay	742		4,000	4,000
Developer Incentive		1,780		
Home Construction/ Rehabilitation	33,337	26,509	75,000	48,491
Demolition	43,606	6,985	10,000	3,015
Transfer to Grant Fund	44,000	47,862	45,000	(2,862)
	<u>260,191</u>	<u>236,317</u>	<u>293,200</u>	<u>58,663</u>
Total Expenditures and Transfers				
Receipts Over (Under) Expenditures	(13,387)	(28,179)		
Unencumbered Cash, Beginning	<u>112,901</u>	<u>99,514</u>		
Unencumbered Cash, Ending	<u>99,514</u>	<u>71,335</u>		

See accompanying notes to financial statements

Coffey County Housing Authority
Burlington, Kansas
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

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	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Grants Fund</u>		
Cash Receipts:		
Transfer from General Fund	\$ 44,000	47,862
Federal Grants	57,900	51,500
Other		4,000
	<u>101,900</u>	<u>103,362</u>
Total Cash Receipts		
Expenditures and Transfers:		
Home Rehab	94,305	94,683
Other	1,600	1,450
	<u>95,905</u>	<u>96,133</u>
Total Expenditures and Transfers		
Receipts Over (Under) Expenditures	5,995	7,229
Unencumbered Cash, Beginning	1,283	7,278
Beginning Balance Adjustment		4,050
Unencumbered Cash, Ending	<u>7,278</u>	<u>18,557</u>

See accompanying notes to financial statements

Coffey County Housing Authority
Burlington, Kansas
Statement of Cash Receipts and Expenditures - Actual
For the Year Ended December 31, 2010

Statement 3
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	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
<u>Building Fund</u>		
Cash Receipts:		
Transfer from General Fund	\$	
Home Sales	225,564	56,221
Rent to Own Sales		10,500
Interest and Other	<u>3,265</u>	<u>2,200</u>
Total Cash Receipts	<u>228,829</u>	<u>68,921</u>
Expenditures and Transfers:		
Home Construction	145,858	203,079
Gridley Community Association		
Other	<u>3,327</u>	<u>130</u>
Total Expenditures and Transfers	<u>149,185</u>	<u>203,209</u>
Receipts Over (Under) Expenditures	79,644	(134,288)
Unencumbered Cash, Beginning	<u>181,105</u>	<u>260,749</u>
Unencumbered Cash, Ending	<u><u>260,749</u></u>	<u><u>126,461</u></u>

See accompanying notes to financial statements

Coffey County Housing Authority
Burlington, Kansas
Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Coffey County Housing Authority is a municipal corporation governed by an elected five-member board. These financial statements present Coffey County Housing Authority as a primary government unit, with no component units.

B. Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the Housing Authority for the year ending December 31, 2011:

Governmental Funds

General Fund--to account for all unrestricted resources except those required to be accounted for in another fund.

Special Revenue Funds--to account for the proceeds of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

C. Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The Housing Authority has adopted a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of accounting

Coffey County Housing Authority
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Notes to Financial Statements
For the Fiscal Year Ended December 31, 2011

principles generally accepted in the United States of America and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. In addition, General Fixed Assets that account for the land, buildings and equipment owned by the Housing Authority are not recorded.

D. Budget and Tax Cycle:

The Housing Authority is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Housing Authority. The Coffey County Commissioners hold the taxing authority for the Housing Authority. The Housing Authority adopts an annual budget for the General Fund for managerial purposes. The budget comparison on Statement 2 and 3 reflects this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Housing Authority's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the general fund as provided by Kansas Statutes.

F. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Housing Authority. The statute requires banks eligible to hold the Housing Authority's funds have a main or branch bank in the county in which the Housing Authority is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

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K.S.A. 12-1675 allows the Housing Authority to invest idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Housing Authority held no investments at December 31, 2011 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Housing Authority may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. State statutes require the Housing Authority's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Housing Authority has not designated any peak periods.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Housing Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At December 31, 2011, the carrying amount of the Housing Authority's deposits was \$227,669 and the bank balance was \$233,508. The entire bank balance was secured by FDIC coverage.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by state statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

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For the Fiscal Year Ended December 31, 2011

Note 2 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 3 Detail Notes on All Funds and Account Groups

A. Assets:

General Fixed Assets

The Housing Authority has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The Housing Authority has waived the maintenance of these records through December 31, 2011, in accordance with K.S.A. 75-1120(a).

B. Liabilities:

Defined Benefit Pension Plan

Plan Description. The County participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 75-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (400 SW 8th Avenue, Suite 200; Topeka, KS 66603-2935) or by calling 1-800-228-0366.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer

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contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Note 4 Economic Dependency

The Wolf Creek Nuclear Power Plant resides within the boundaries of Coffey County, which is the area served by the Housing Authority. This power plant is run by a joint venture of several utility companies. The valuation of the power plant accounts for approximately 83% of Coffey County's total assessed valuation. The tax appropriation which the Housing Authority receives from the County is levied on this assessed valuation.